

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK
RATIONALIZATION SERVICE CHANGES, 2012

Docket No. N2012-1

RESPONSE OF AMERICAN POSTAL WORKERS UNION, AFL-CIO, WITNESS
KATHRYN KOBE TO UNITED STATES POSTAL SERVICE INTERROGATORIES
USPS/APWU-RT1-1-6
(June 6, 2012)

The American Postal Workers Union, AFL-CIO, hereby files the responses of APWU witness Kathryn Kobe (APWU-RT-1) to the above-listed interrogatories of the United States Postal Service dated May 23, 2012. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

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USPS/APWU-RT1-1. On page 8, line 11, of your testimony, you refer to the “Processing Facility ‘Fact Sheet’” as the source for your statement that the Postal Service reduced the number of processing facilities by 23 percent between 2009 and 2011.

- (A) Please confirm that, according to the referenced Fact Sheet, most of the 23 percent change resulted from a reduction in the number of Customer Service Facilities. If you do not confirm, please explain.
- (B) Please confirm that, according to the referenced Fact Sheet, the reduction in the number of Processing & Distribution Centers between 2009 and 2011 was between 6 and 7 percent. If you do not confirm, please explain.

RESPONSE:

(A and B) Confirmed, please see specifics in the table below.

The following is excerpted from the “Processing Facility Fact Sheet” (USPS-LR-N2012-1/84)

Postal Service Processing Facilities by Type 2009-2011					
		2011	2010	2009	2011/2009
Processing and Distribution Centers	P&D C	251	260	268	-6%
Customer Service Facilities	CSF	115	164	195	-41%
Network Distribution Centers	NDC	21	21	21	0%
Logistics and Distribution Centers	LDC	10	13	14	-29%
Annexes	----				
Surface Transfer Centers	STC	10	11	20	-50%
Air Mail Centers	AMC	1	1	12	-92%
Remote Encoding Centers	REC	2	2	3	-33%
International Service Centers	ISC	5	5	5	0%
Total Processing Facilities		461	528	599	-23%

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USPS/APWU-RT1-2. In Table 1 of your testimony, at page 9, you list facilities which you believe should not be included in determining the savings from Network Rationalization, due to their consolidations.

- (A) Please confirm that the workhours associated with the listed facilities that are not saved due to these consolidations should be included in determining the savings. If you do not confirm, please explain.
- (B) Should Table 1 be revised to list only those work hours that have been saved under the approved consolidations? If not, please explain why not.

RESPONSE:

- (A) Partly confirmed. As I understand this question it is referring to the workhours that were transferred from these closing facilities and would now be in the gaining facilities associated with those AMPs. To the extent that the gaining facilities of those AMPs will now experience further adjustments under this consolidation plan, those workhours should still be included in the current analysis, provided that those workhours reflect current mail volumes and current best practices
- (B) I am unaware of any information in this record that could be used to appropriately revise Table 1 in the manner that is suggested.

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USPS/APWU-RT1-3. Please refer to Table 2 of your testimony, at page 11. In light of the supplemental testimonies filed by Postal Service witnesses, is the issue you raise in connection with Table 2 now moot? If not, please explain why not.

RESPONSE:

The newly filed USPS-LR-N2012-1/82 (which replaces the previously filed USPS-LR-N2012-1/34) seems to show all of the offices in the top portion of the table as now being “open” in the revised scenario. However, the last three offices (Brockton, Easton, Manasota) are still shown as “not open” in LR 82. In addition, those three facilities also do not show up on the May 17, 2012, list of facilities for which consolidations are planned during what the Postal Service is now calling “Phase 1” of the plan. In my opinion, if the Postal Service has not yet determined that it can do without these facilities in the new network, then those facilities should not be treated as “closed” for purposes of calculating the savings.

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USPS/APWU-RT1-4. Please refer to Table 4 of your testimony, at page 15.

- (A) Please provide a spreadsheet showing the underlying calculations, with specific page and line number references to the National Payroll Summary Hours report.
- (B) Were the underlying calculations performed using PP06, FY2012?
- (C) Were the wages used in the underlying calculations PP06 or YTD?
- (D) Did the calculations of weighted averages costs in the column "Weighted Average" include all clerks or only Full Time and PSE clerks?
- (E) How do the caps consider PTFs and other categories of clerks?

RESPONSE:

- (A) Please see the first tab in the attached spreadsheet labeled "Attach.APWU.RT1-4.xlsx." A correction has been made to the table headings to correctly reflect the Fn 1 and Fn 4 caps. While stated correctly in the text, the table had the wrong functions referred to in the row headings.
- (B) Yes; this was the latest information available at the time Table 4 was constructed.
- (C) The wages used in the calculations were for the most current period available at the time, which was PP06, in order to reflect the most recent wage levels. Those being the closest to the actual 2012-2013 time period that was the focus of the discussion.
- (D) As shown in the worksheet, the costs reflect the weighted average between the Full Time clerks and the PSE clerks. For simplicity of presentation in Table 4, I used the FT clerks rather than weight together all the career clerks for this calculation.

I have added to the worksheet calculations discussed in subpart (A) a calculation that includes the weighted average that incorporates all the career clerks as well as the YTD figures. The resulting weighted average for YTD ended in March is \$40.29, little different from the Table 4 total and it continues to show the three

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points that I was using Table 4 to convey: 1) The March 2012 number is slightly lower than what was being used for FY2010; 2) if the full function 1 caps are used the weighted average would be about 6% lower than it currently is; and 3) if some of the function 4 flexibility is transferred to function 1 processes the weighted average wage could decline by 12% compared to current levels.

(E) The cap is applied to all career clerks.

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USPS/APWU-RT1-5. At pages 18-19 of your testimony, you state: “For example, the PSEs do not have to be called in to work at all. If PSEs are called in, it can be for as little as two hours. If, as the DPS activity winds down on a tour, there is not enough work for all the workers, the PSEs can be sent home early.”

- (A) Do you believe that such utilization of employees is realistic and practicable across the Postal Service’s mail processing network?
- (B) Do you believe that, if the Postal Service attempted to use employees in this fashion across its mail processing network, it would be able to retain a sufficiently large enough proportion of the affected employees to maintain a stable, experienced processing workforce.

RESPONSE:

- (A) These examples were included in my testimony to show that witness Neri’s assumption, that every mail processing worker **MUST** work an 8 hour shift every day, was clearly in error. I do not anticipate that this would be the daily treatment of such employees, but the contract would allow such flexibilities as necessary.
- (B) One would hope that the Postal Service treats all of its employees in a professional and respectful manner so as to establish good working relationships. It is clear that there are employees in the Postal Service and elsewhere that regularly work less than 8 hours per day and who do not work regular schedules. The most likely scenario is that Postal management will determine an efficient method of using such employees that will result in establishing a semi-regular time period as a schedule, but still uses the flexibilities when there are significant changes in the work flow. The Postal Service has experience with several different types of employees with limited hour guarantees: those include substantial casual employees – with no work hour guarantees; TEs in the clerk and city carrier crafts with guarantees similar to PSEs; RCR/RCAs with minimal guarantees; and PMRs with minimal hours.

One also notes that in May 2012, the Bureau of Labor Statistics reported that there were 8.4 million nonagricultural employees, who usually worked full-time, who were currently working less than 35 hours per week, and an additional 25.4 million people who were currently working less than 35 hours per week,

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and their usual workhours were less than 35 hours per week. Of those two groups, 7.7 million were working part-time for economic reasons either because of slack business conditions or because part time work was the only type they could find. This indicates that there are a large number of people in the workforce who are working less than full-time schedules either because of choice or because that is what is available to them. It is likely the Postal Service can find workers who will work according to the PSE schedules.

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USPS/APWU-RT1-6. At pages 23-25 of your testimony, you explain why, in your view, Postal Service witness Smith's calculation of a factor for additional service-wide costs is overstated. Specifically, you state that some of the components in the service-wide costs calculation declined from FY 2010 to FY 2011.

- (A) In concluding that witness Smith's calculation is overstated, did you consider the change in total salary and benefits from FY 2010 to FY 2011?
- (B) Do you believe that the total salary and benefits declined from FY 2010 to FY 2011?
- (C) Do the cited declines in some components of service-wide benefits costs necessarily imply whether or not the service-wide benefits per \$1,000 of salary and benefits (\$111.54 in FY2010) declined in FY2011?

RESPONSE:

- (A) Yes.
- (B) Please see page 24, lines 11-13 of my revised testimony which addresses the reduction in retiree health benefits costs and CSRS "earned costs" not the change in total salary and benefits from FY2010 to FY2010 as this question suggests. Total salaries and benefits declined by about 1%. Below is Mr. Smith's FY2010 numbers and my understanding of what the FY2011 numbers would look like following Mr. Smith's stated sources. For clarity, this table presents the data both on a total dollar basis as well as on a per \$1,000 of salaries and benefits basis.

Table 1: FY 2010 Service Wide Benefits					
	(000s)		Cost per \$1,000 S&B		
	FY 2010	FY 2011	FY 2010	FY 2011	% Change
Repriced Annual Leave	\$ 90,502	\$ 90,975	1.859	1.888	1.6%
Holiday Leave Adjustment	\$ (13,588)	\$ (16,118)	-0.279	-0.335	19.8%
Workers Comp Current Year	\$ 1,167,995	\$ 1,448,851	23.993	30.069	25.3%
Unemployment Compensation	\$ 73,933	\$ 62,272	1.519	1.292	-14.9%
Annuitant Health Benefits - Earned (Current)	\$ 3,055,000	\$ 2,879,000	62.756	59.750	-4.8%
Civil Service Retirement System (CSRS) -- Earned	\$ 1,040,064	\$ 925,822	21.365	19.214	-10.1%
Annuitant Life Insurance	\$ 15,863	\$ 14,945	0.326	0.310	-4.8%
Total Service-Wide Benefits	\$ 5,429,769	\$ 5,405,747			
Total Salary and Benefits	\$48,680,906	\$ 48,183,984			
Service-Wide Benefits per \$1,000 of Salary & Benefits	\$ 111.54	\$ 112.19	\$111.538	\$112.190	0.6%

Source: Mr. Smith's Table 1 updated to FY2011 based on his stated source data.

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- (C) As can be seen in Table 1 above, the total cost per \$1,000 rose by \$0.65 or approximately 0.6%. The discussion in my testimony focused on the health benefits and retirement components for the reasons that I noted in the text, one has a solid basis for understanding the trend lines of those costs. I also discussed the two components that did not show declines in footnote 32 on page 24 of my testimony. Those components were repriced annual leave, which rose 0.5 percent, and worker's compensation costs, which rose 34 percent. I do not believe that any explanation for the large increase in these worker's compensation costs has been provided in this record, but I would note that the USPS 10-K indicates that the worker's compensation liability rose 20 percent during this time period (considerably less than the 34 percent increase shown in the ACR) and that the current costs rose 12.6 percent (10-K, p. 82).